

China Airlines Ltd.

Procedures Governing the Acquisition and Disposal of Assets

Amended and approved by the Shareholders' Meeting on June 25, 2019

- Article 1 Purpose and legal basis:
These Procedures have been formulated to provide guidelines for the Company when acquiring or disposing of assets and are based on the content of Article 36-1 of the Securities and Exchange Act and other related laws and regulations.
- Article 2 Scope: For the purpose of these Procedures, assets refer to the following:
1. Investments such as stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, etc.
 2. Real Property (including land, houses and buildings, investment property, rights to use land) and equipment.
 3. Memberships.
 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
 5. Right-of-use assets.
 6. Derivatives.
 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
 8. Other major assets.
- Article 3 Terms used in these Procedures are defined as follows:
1. Date of occurrence: In principle, this refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction (whichever date is earlier); provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
 2. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 3. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
 4. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, , credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long- term purchase (sales) contracts.
 5. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
 6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the

provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

7. Total assets: For the calculation of 10% of total assets under these Procedures, the total assets stated in the most recent parent company-only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
8. Securities exchanges: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter markets ("OTC"): Domestic OTC markets refers to a market for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; foreign OTC markets refers to a market at a financial institution that is regulated by the foreign competent securities authority and that is permitted to conduct securities business.

Article 4 Appraisal and operating procedures:

1. Regarding the appraisal of assets to be acquired or disposed of, if said assets are flight equipment, real property, or other assets, the department utilizing or responsible for the assets shall formulate an appraisal plan. The Finance Division shall implement and oversee this plan. For marketable securities, the units responsible for implementation shall implement after completion of a feasibility assessment.
2. When the Company engages in derivatives transactions, it shall follow the Company's Operational Procedures for Derivatives Trading. For the acquisition and disposal of other assets, the Company shall follow the operational procedures formulated by the responsible department mentioned in the above paragraph, which will be executed after approval by the responsible personnel, to properly implement the Company's internal control system.

Article 5 Procedures for determining transaction terms and conditions:

1. Any acquisition or disposal of assets by the Company shall follow all related procedures and regulations, and shall only be executed after approval by the responsible personnel.
2. Any procedure for the acquisition or disposal of assets that falls under the circumstances outlined in Article 185 of the Company Act shall first be approved by the Shareholders' Meeting.
3. Means of price determination and supporting reference materials for assets should follow the below:
 - (1) The price for marketable securities acquired or disposed of on a centralized securities exchange market or over-the-counter securities exchange shall be determined by the current stock or bond price.
 - (2) For the price of marketable securities not acquired or disposed of on a centralized securities exchange market or over-the-counter securities exchange, the net asset value, profitability, future development potential, market interest rates, bond coupon rate, and credit worthiness of the debtor shall be taken into account along with the most recent transaction price.
 - (3) For the acquisition or disposal of real property or other assets, the price shall be set based on the publicly announced current value, current assessed value, actual transaction price of neighboring real property, or the supplier's quoted price.
4. With respect to the Company's acquisition or disposal of assets that are subject to the approval of the Board of Directors as required by these Procedures or other laws or regulations, if a director expresses dissent, which is recorded or is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Any transaction involving major assets or derivatives shall be

approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding sentence is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Article 6 Units responsible for implementation:

1. The Corporate Development Office oversees long-term securities. Short-term securities are overseen by the Finance Division. The Administration Division is responsible for real property. Assets other than securities investments and real property shall be overseen by the relevant department. As prescribed by the competent authorities, information disclosure is the responsibility of the Finance Division.
2. When the Company and any subsidiaries that are not domestic public companies acquire or dispose of assets that require public reporting, the unit responsible for the implementation shall review and include all relevant information on the actual date of occurrence and deliver to the Finance Division for public announcement, reporting, and disclosure of material information.

Article 7 Merger, demerger, acquisition, or transfer of shares:

1. When planning to conduct a merger, demerger, acquisition, or transfer of shares, the Company shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.
However, when the Company merges with a subsidiary company which it directly or indirectly owns 100% of distributed stocks or total capital, or when the Company merges subsidiary companies which it directly or indirectly owns 100% of distributed stocks or total capital, the Company may forgo the opinion of the reasonableness by the experts stated above.
2. The Company shall prepare a public report for shareholders detailing the important content of the agreement and related matters of the merger, demerger, or acquisition before the Shareholders' Meeting, and then deliver it to shareholders together with expert opinions as required in the preceding paragraph for reference by shareholders for the approval of the merger, demerger or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a Shareholders' Meeting to approve the merger, demerger or acquisition. Moreover, where the Shareholders' Meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders' Meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next Shareholders' Meeting.
3. When conducting a merger, demerger, acquisition, or transfer of shares, the Company shall follow the below regulations for voting, information preservation, and public announcement:
 - (1) Unless another law provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent, the companies participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and Shareholders' Meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition. When participating in a transfer of shares, the companies shall call a Board of Directors meeting on the same day.
 - (2) When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference. Within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, the Company shall report the information set out in Subparagraphs 1 and 2 of the following paragraph to the competent authorities for recordation in the

prescribed format via the Internet-based information system.

1. Basic identification data for personnel: includes occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer shares prior to disclosure of the information.
 2. Dates of material events: includes the dates of the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
 3. Important documents and minutes: includes merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
- (3) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of (2) above.
4. Every person participating in, or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
 5. The Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
 - (2) An action, such as a disposal of major assets, that affects the company's financial operations.
 - (3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares, legally buys back treasury stock.
 - (5) A change in the entities or number of entities participating in the merger, demerger, acquisition, or transfer of shares.
 - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
 6. The following matters, in addition to the related rights and obligations, shall be noted in the contract for participation in a merger, demerger, acquisition or transfer of shares:
 - (1) Handling breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (3) The amount of treasury stock that participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (4) The manner of handling changes in the entities or number of entities.
 - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.
 7. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the

procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.

8. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by Paragraphs 3, 4, and 7 of this Article.

Article 8 Commissioning expert appraisal reports or opinions:

1. Appraisal report for acquisition or disposal of real property, equipment, or right-of-use assets thereof: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
 - (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
 - (2) Where the transaction amount is in excess of NT\$1 billion, appraisals from two or more professional appraisers shall be obtained.
 - (3) Where any one of the following circumstances applies with respect to the professional appraiser's results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
 - (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is applied and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
2. Certified public accountant opinion regarding acquisition or disposal of securities: The Company, when acquiring or disposing of securities shall, prior to the date of occurrence, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the dollar amount of the transaction is 20% or more of the company's paid-in capital or in excess of NT\$300 million, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority.
3. Acquisition or disposal of intangible assets, right-of-use assets, or memberships: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million,

except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public account shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF.

4. Should the Company acquire or dispose of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or opinion of a certified public accountant.
5. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountants' opinions, attorneys' opinions, or securities underwriters' opinions shall meet the following requirements:
 - (1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of this Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
 - (2) May not be a related party or de facto related party of any party to the transaction.
 - (3) If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- (1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
 - (2) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to form a conclusion and use the conclusion as the basis for issuing the report or opinion. The related implementation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
 - (3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
 - (4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.
6. Calculation of the transaction price shall be performed in accordance with Article 11, Paragraph 1, Subparagraph 2, but does not need to be added in for situations where a professional appraisal or certified public accountant opinion is obtained in accordance with these Procedures.

Article 9

Related party transactions:

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that these Procedures are followed and necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a certified public auditor's opinion in compliance with the provisions of the preceding Article. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
2. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount

reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Audit Committee:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - (2) The reason for choosing the related party as a trading counterparty.
 - (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 1, Subparagraph 3 and 4 of this Article.
 - (4) The date and price at which the related party originally acquired the property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
 - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
 - (6) Restrictive covenants and other important stipulations associated with the transaction.
 - (7) An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding Paragraph.
3. When the Company acquires real property or right-of-use assets thereof from a related party, it shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised following any one of the below methods):
- (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
4. When the Company acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the previous Paragraph, it shall also engage a certified public accountant to check the appraisal and render a specific opinion.
5. When the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Subparagraph 2 of this Article, but Paragraph 1, Subparagraphs 3 and 4 do not apply:
- (1) The related party has acquired the real estate or its right-of-use assets through inheritance or as a gift.
 - (2) More than five years have elapsed since the acquisition of the real estate or its right-of-use assets by the related party since the date the contract for the transaction was signed.
 - (3) The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land.

- (4) The real estate right-of-use assets for business use are acquired by the Company and its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or total capital.
6. For real estate or its right-of-use assets acquired from a related party and the results of appraisals conducted in accordance with Subparagraph 3, Paragraph 1 of this article are uniformly lower than the transaction price, the provisions specified in Subparagraph 7 shall be followed. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and an accountant, this restriction shall not apply:
- (1) Where the related party has acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
1. Where undeveloped land is appraised in accordance with the means in the Subparagraph 3, Paragraph 1 of this article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be defined as the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- (2) For evidence provided on acquired real estate, or obtained real estate right-of-use assets through leasing, from a related party and the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- (3) "Completed transactions involving neighboring or closely valued parcels of land" as used in (1) and (2) of this article in principle refer to parcels on the same or adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; "Transactions for similarly-sized parcels", in principle refer to transactions by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "within the preceding year" as used herein refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of the right-of-use assets thereof.
7. For real estate or its right-of-use assets acquired from a related party and the results of appraisals conducted in accordance with Subparagraph 3, Paragraph 1 of this article are uniformly lower than the transaction price, the following provisions shall be followed:
- (1) A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost for the real estate or its right-of-use assets. These funds may not be distributed or used for capital increase or issuance of bonus shares. For the Company adopting the equity method to account for its investment in another company, the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall also be appropriated on a pro-rata basis according to the percentage of shares held by the investor. For special reserve set aside according to the aforementioned, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased or leased at a premium, or the leasing contract has been terminated, or disposed through adequate compensation or restored status quo ante, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities authority has given its consent.

- (2) The Audit Committee shall follow the provisions set out under Article 218 of the Company Act.
- (3) Actions taken pursuant to Subparagraph 1 and Subparagraph 2 above shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- 8. The rules specified in aforementioned (1) and (2) shall also be followed if there is other evidence showing nonconformity with general business practices when the Company acquires or disposes assets or its right-of-use assets from a related party.
- 9. When a matter is submitted for discussion by the Board of Directors pursuant to this Article, if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Adoption pursuant to this Article, which shall be subject to the consent of one-half or more of all Audit Committee members and be submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
- 10. The calculation of the transaction amounts shall be made in accordance with Article 11 Paragraph 1 Subparagraph 2. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.
- 11. If the Company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or capital amount conduct the following transactions among each other, the Board may authorize the Chairman in advance within a fixed amount and report ratification of the most recent board of directors:
 - (1) Where equipment or its right-of-use assets for business use are acquired or disposed of.
 - (2) Where real estate right-of-use assets for business use are acquired or disposed of.

Article 10 Scope and amount of investment:

Except when acquiring property and right-of-use assets for business use, the Company and its subsidiaries shall follow the below limits for investment in securities and purchases of real property and its right-of-use assets not for business use:

- 1. The total investment in securities shall not exceed 100% of the Company's net value. Subsidiaries may not exceed 80% of their net value, but subsidiaries that are professional investment companies may not exceed 100% of their net value.
- 2. The total value of investments in individual securities shall not exceed 30% of the Company's net value. Subsidiaries may not exceed 20% of their net value, but subsidiaries that are professional investment companies may not exceed 100% of their net value.
- 3. The Company and its subsidiaries' total purchases of real property and its right-of-use assets not for business use shall not exceed 50% of their net value.

Article 11 Announcements, reporting, and disclosure of material information:

- 1. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated information reporting website of the securities authority using the specified format based on the nature of the transaction:
 - (1) Acquisition or disposal of real estate or its right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or its right-of-use assets from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - (2) Merger, split, acquisition, or assignment of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the "Engagement in derivative financial commodity transaction processing

procedures” adopted by the Company.

- (4) Where equipment or its right-of-use assets for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount exceeds NT\$1 billion.
 - (5) Where real estate is acquired under an arrangement engaging in the development of self-owned land, development of leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
 - (6) Where an asset transaction other than any of those referred to in (1) to (5) of this article, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided that this shall not apply to the following circumstances:
 1. Trading of domestic government bonds.
 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. The amount of transactions above shall be calculated as follows:
 - (1) The amount of any individual transaction.
 - (2) The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same transaction counterparty within one year.
 - (3) The cumulative transaction amount of real estate or its right-of-use assets acquired or disposed of (to be accumulated separately for acquisition and disposals) for the same development project within one year.
 - (4) The cumulative transaction amount of the same securities acquired or disposed of (to be accumulated separately for acquisition and disposals) within one year.
 - (5) “within the preceding year” as used herein refers to the year preceding the date of occurrence of the acquisition or disposal of assets. The declared part of the announcement is exempt from credit.
 3. If the subsidiary is not a domestic public issuance company, the application of the applicable reporting standard for the amount of paid-in capital or total assets shall be subject to the paid-in capital or total assets of the Company. The company shall compile monthly reports on the status of derivatives trading conducted up to the end of the preceding month for its own transactions and those of its subsidiaries (that are not domestic public companies) and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission before the 10th of each month.
 4. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days commencing immediately from the date that the Company becomes aware of the error or omission..
 5. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported as required, a public report of relevant information shall be made on the competent authority’s designated website within 2 days commencing immediately from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.
 6. Disclosure of Material Information: Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities promulgated by the Taiwan Stock Exchange Corporation.

Article 12 Other issues:

1. After receiving approval of the Audit Committee, these Procedures shall be sent to the Board of

Directors and come into effect following approval of the Shareholders' Meeting, which also applies for revisions. If any director expresses dissent and such opinion is recorded in the minutes or a written statement, the Company shall submit the director's dissenting opinions to the Audit Committee. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding sentence is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

2. Unless otherwise required by law, the Company shall keep on file all contracts, minutes, memorandum books, appraisal reports, and opinions issued by certified public accountants, attorneys, or securities underwriters for any acquisition or disposal of assets for a period of no less than 5 years.
3. When a Company subsidiary intends to acquire or dispose of assets, the subsidiary shall formulate and implement procedures in accordance with the Procedures Governing the Acquisition and Disposal of Assets.

Article 13 Penalties:

If any Company managers or relevant personnel are in breach of these Procedures and/or any related laws and regulations, penalties shall be incurred in accordance with Company rewards and punishments regulations proportional to the gravity of the breach.

Article 14 These Procedures were adopted on May 18, 1991 and the 10th revision was made on June 25, 2019. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.